

**AN ASSESSMENT OF THE COMPONENTS OF SERVICE QUALITY AND  
CUSTOMER SATISFICATION: A CASE STUDY OF NATIONAL  
MICROFINANCE BANK, TEMEKE BRANCH, DAR ES SALAAM,  
TANZANIA**

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REQUIREMENT FOR THE AWARD OF MASTER OF PROJECT  
MANAGEMENT OF THE OPEN UNIVERSITY OF TANZANIA**

**2015**

**CERTIFICATION**

The undersigned certifies that she has read and hereby recommends for acceptance by the Open University of Tanzania a dissertation titled: “*An Assessment of the Components of Service Quality and Customer Satisfaction: A Case Study of National Microfinance Bank, Temeke Branch, Dar es Salaam, Tanzania*”, in partial fulfillment of the requirements for the degree of Master of Project Management of the Open University of Tanzania.

.....  
Dr. Hawa Uiso  
(Supervisor)

.....  
Date

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Signature

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Date

## **DEDICATION**

I return glory to the Almighty God and Holy Mary mother of Jesus and dedicated this work to my late father Mr. William Hakilimali Makanza who has been my constant source of inspiration. He had given me a drive and displine to tackle any task. And also I dedicate to my lovely mother Mamelitha and my two lovely sisters Beatrice William and Lilian William for their love and support they gave me during my college time. May the Almighty God bless them Amen.

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## **ABSTRACT**

The purpose of this study was to assess the components of service quality and customer satisfaction at NMB Temeke branch in Tanzania. Quantitative methodology was used. A cross-sectional and descriptive research design was adopted where by a purposive sampling technique and simple random samplings were used as to obtain a sample of 148 respondents. The findings were analyzed and presented based on the research objectives. The findings of the study revealed that SERVQUAL dimension (tangibility, reliability, responsiveness, assurance and empathy) have effect on customer satisfaction. It has also been revealed that, Empathy and responsiveness have higher impact on overall customer satisfaction. Findings of the study reveal that bank services quality has direct positive relationship with customer satisfaction. The study recommends the need for NMB Temeke branch to remain reliable to their customers if indeed they need to remain competitive in the market by introducing back up services and make sure they work effective. It further recommends the need for banks to innovate new ways of enhancing the way they respond to customer needs and have systems that will build the confidence of the customers.

**Keywords:** Service quality, Customer Satisfaction, Banking Industry, National Microfinance Bank (NMB) Temeke Branch.

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**LIST OF ABBREVIATIONS**

ATM	Automated Teller Machine
ICT	Information, Communication and Technology
LDCs	Least Developed Countries
KPI	Key Performance Indicator
NMB	National Microfinance Bank
MTN	Mobile Telecommunication Network
SERVQUAL	Service Quality

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Overview**

This chapter presents the general context of the study. The chapter covers the background to the study, statement of the research problem, research objectives, research questions, significance of the study, delimitation of the study and organization of the study.

#### **1.2 Background to the Research Problem**

Service quality is a function of the differences between expectation and performance along the quality dimensions, (Parasuraman, *et al.*, 1985). Service quality is to make sure customer is satisfied with the service they get. Poor service quality becomes the biggest problem claimed by the customers of most of banks in East Africa which lead to customer dissatisfaction (Kinyazui, 2011) . Banks in Africa will need to focus on maintaining their financial stability while simultaneously sharpening their customer service capabilities if they hope to capture and grow their markets, (Lamikanra, 2013).

The banking sector within the country is occupying an important place in nation's economy; Banking sector performs its activities economically and socially in a country (Uddin and Akhter, 2012). It plays an essential role in the economic development of a country and forms the core of the money market in the least developed countries (LDCs) like Tanzania. It's a well-known fact that no business can exist without customers (Kotler, *et al.*, 2002).



Kenya has experienced drastic changes which leads deregulation and liberalization: declining interest margins because of customer pressure. These changes have led to increased attention to service quality and service quality as a way of attracting, maintaining and enhancing long-term multiple-service relation (Levesque and McDougall, 1996).

Ghananian banking industry, high customer satisfaction is hypothesized to be linked to high firm performance. Bankers consider loyalty and customer satisfaction as important to market share maintenance profitability and market share maintenance. As products and prices have become less important differentiators. The importance of service quality can no longer be overlooked and taken for granted (Ward and Tracey, 2007).

The banking industry like many other financial service industries is facing a rapidly changing market, economic uncertainties, new technology, fierce competition and more demanding customers and the changing climate has presented an unprecedented set of challenges. Banking is a customer oriented service industry, therefore, the customer is the focus and customer service is the differentiating factor (Kanojia and Yadav, 2012). Service managers and/or bank operational managers of such service factory are more concerned about their quality of service and client satisfaction, (Olorunniwo & Hsu, 2006).

The banking industry in general has come under intense competition in the past ten years this is due partly to new entrants into the notwithstanding the existence of fierce competition in the banking industry in Africa and high customer churn, the

debate as to what drives customer satisfaction is still rife, this is due to the fact that, complaints of poor service quality is on the increase attitude towards the concept of service quality and Customer Satisfaction (Amoako, 2012). In a competitive era, customer switching to other service providers is high especially when customers are dissatisfied with service provided.

Banking firms in Tanzania have for a long time been blamed for not being market oriented since they lack adequate customer care and service quality (Iamikanra, 2013). The improvement of service quality on customer satisfaction ensures customer loyalty (Wu and Liang, 2009). Today the field of services quality management has received special attention because customers expect best services. The main driver of this change is changing customer needs and expectations.

Customers in cities or urban areas in Tanzania like Dar es Salaam no longer want to wait in long queues and spend hours in banking transactions. This change in customer attitude has gone hand in hand with the development of ATMs, internet banking, SME banking, and mobile phone banking (sim-banking) along with availability of service right at the customer's doorstep. Also different types of loan and advances are offered (term loan, car loan, education loan, housing loan, micro group credit and micro credit enterprise).

The emergence of universal banking, banks aim to provide all banking product and service offering less than one roof and their endeavor is to be customer centric (Kanojia and Yadav, 2012). Based on determinants of customer satisfaction in banking industry, the emergence of economic reforms in world in general and in

Tanzania in particular, today's banks have come up in a big way with prime emphasis on technical and customer focused issues (Uddin and Akhter, 2012). This study aims to assess the components of service quality and customer satisfaction. It is of paramount important to consider the financial institution which as different types of customers and services, Using National Microfinance Bank (NMB) (Temeke Branch) as a case study.

### **1.3 Statement of the Problem**

Qadeer (2013) observed through content analysis, that service quality has significant contribution towards customer satisfaction. Weakness of the study, the study claimed that service quality affected by not introducing employee's oriented policy establishing by service culture following with strong strategies. The firms can introduce employee oriented policy but if the environment is not conducive for customer, the policy will not help to arise satisfaction of the customer over the service they get. So the five service dimension is important in making customers to satisfy over the service provided.

Another study was done by Mesay (2012) observed through regression analysis, that empathy and responsiveness play the most important role in customer satisfaction followed by tangibility, assurance, and reliability. Weakness of the study is that, which one is more important among five service dimension depend on the nature of the customer. And there circumstances both of them are important. Thus service quality has contribution to customer satisfaction. My study was used descriptive analysis to observe the contribution of service quality on customer satisfaction by using SERVQUAL Model.

## **1.4 Objectives of the Study**

### **1.4.1 General Objective**

To assess the components of service quality and customer satisfaction at NMB Temeke branch in Tanzania.

### **1.5 Specific Objectives**

- (i) To identify the components of service quality at NMB Temeke branch in Tanzania.
- (ii) To identify the components of customer satisfaction at NMB Temeke branch in Tanzania.
- (iii) To assess the perception of customers on service quality at NMB Temeke branch in Tanzania.

## **1.6 Research Questions**

### **1.6.1 Research Questions**

- (i) What are the components of service quality at NMB Temeke branch in Tanzania?
- (ii) What are the components for customer satisfaction at NMB Temeke branch in Tanzania?
- (iii) What are the perceptions of customers on service quality at NMB Temeke branch in Tanzania?

## **1.7 Significance of the Study**

As part of pre requisite for accomplishing Master of Project Management degree, the study in one way or another contributes to knowledge generation. Findings of the

study can help in realization of the assessment of the components of service quality and customer satisfaction using NMB Temeke branch as an example representing other related financial institutions.

The study is important for those who will conduct further related research on the same field of study. So long as the areas of weakness had been identified, the findings can also assist the management of the banks to take corrective measures. Moreover, the study had integrated the theoretical trained in the class room with real work situation so as to relate theory with practice.

### **1.8 Organization of the Study**

Chapter one provides: chapter overview, background to the research problem, statement of the research problem, study objectives, research questions, significance of the study, and organization of the study, limitation of the study and delimitation of the study. Chapter two provide: chapter overview, conceptual definitions of key terms, the theories related to the study, empirical reviews, research gap and conceptual framework. Chapter three provides chapter overview, research philosophy, research design, survey population of the study, sampling design and sample size, validity and reliability, data types and collection methods and data processing analysis. Chapter four presents chapter overview, results and discussions. Chapter five concludes chapter overview, conclusions, recommendations and future research.

### **1.9 Limitation of the Study**

During this study undertaking, the following difficulties encountered:

(i) *Respondent negligence*

The study based on field and self-administering questionnaires, which depend on respondent's cooperation that otherwise, may provide false information.

(ii) *Time constraints*

Four months allocated to carry out this research forced the researcher to opt of relative small sample size, which could be fairly small to represent the whole population. However, a best random sampling method opted to reduce the sampling error.

(iii) *Financial constraint*

Financial resources constraint also affected the study. However, some funds were available for research but they were still inadequate for carrying out the study effectively.

(iv) *Experience*

It was the first time for the researcher to conduct research practically, however, she strived on her level best to do better job hence undertake the research hence develop reports.

### **1.10 Delimitation of the Study**

Research owns judgment used to tackle the problem of false information which provided in questionnaires. Assistance was sought from experienced supervisor and researcher who did provide useful help basing on their experience. Relatively small sample used to tackle the problem of limited time and fund.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Overview**

This chapter intends to discuss literatures which are relevant to the study. The chapter intends to reveal the conceptual definitions, theories related to the study, empirical reviews done by different scholars related to the study, research gap and conceptual framework.

#### **2.2 Conceptual Definitions of Key Terms**

##### **2.2.1 Service Quality**

Service quality is a function of the differences between expectation and performance along the quality dimensions, (Parasuraman, *et al.*, 1985). Service quality is to make sure customer is satisfied with the service they get.

##### **2.2.2 Customer satisfaction**

A person's feelings of pleasure or disappointment resulting from comparing a product's performance in relation to its expectations, (Philip, 2003). Customer is a stakeholder of any organization who provides payment in exchange for the offer provided to him by the organization with the aim of fulfilling a need and to maximize satisfaction.

#### **2.3 Theories Related to the Study**

##### **2.3.1 SERVQUAL Theory**

Parasuramana, *et al.*, (1985), identified ten criteria which customer use in evaluating service quality of an organization by using SERVQUA theory. These are;

**Tangibles;** appearance of physical, facilities, equipment personnel and communication materials.

**Reliability;** ability to perform the promised service dependably and accurately.

**Responsiveness;** willing to help customers and provide prompt service.

**Communication;** listening and keeping the informed in language they can understand.

**Credibility;** truth, worthiness, believability, honest of the service provider.

**Security;** freedom from danger, risk or doubt.

**Competence;** possession of the skill and knowledge required to perform the service.

**Courtesy;** politeness, respect, consideration and friend lines of contact personnel.

**Understanding/knowning the customer;** making efforts to customers and their needs.

**Access;** ease of approach and contact, example opening hours, queues, phones.

Subsequent factor analysis and testing by (parasuraman *et al.*, 1988) found a high degree of correlation between several of these variables and thus condensed into five major dimensions.

**Tangible;** appearance of physical elements

**Reliability;** Dependable, accurate performance.

**Responsiveness;** promptness and helpfulness

**Assurance;** competence, courtesy, credibility and security

**Empathy;** easy access, good communications and customer understanding.



Using these elements (parasuraman, *et al.*, 1988) developed the service quality model as described above and they were able to defined service quality as the discrepancy between customer's expectations. Service quality is a focused evaluation that reflects the customer's perception of specific dimensions of service: reliability, responsiveness, assurance, empathy, tangibles, satisfaction, on other hand, is more inclusive: it is influenced by perceptions of service quality, product quality, and price as well as situational factors and personal factors (Zeithaml and Bitner, 2003).

Parasurama, *et al.*, (1985), also develop a unique model of service quality. According to this model the quality of services as perceived by the customers is the result of comparison between the real lives experiences of the service delivered. The model has two sides (service provider and the customer side). The model indicates that customer quality perceptions are affected by a series of four distinct gaps occurring in the organization. These gaps on the service providers side can impede delivery of serviced that customers perceived to be of high quality. These gaps are;

- Gap 1**     Difference between customers expectations and management perceptions of customers expectations
- Gap 2**     Difference between management perception of customer expectations and service quality specification
- Gap 3**     Difference between service quality specifications and actual service Delivered
- Gap 4**     Difference services delivered and what is communicated about service to Customers

The so called service quality gap involves the comparison between expectations and performance, recent research on the area of service quality done by various researchers suggest that scores on the perception component of the SERVQUAL are able to explain significantly more variance in customer perceived service quality than are the perception minus expectation scores. According to the model customers expected, service is affected by various factors such as word of mouth communications, customer person needs, past experience and organization external communication to customers.

Delivering good services consistently to customers is difficult because the environment is always changing potentially; the direction and the magnitude of the four internal gaps are affected by various factors and thus causing service quality shortfalls. Parasuraman, *et al.*, (1991), agreed that improving service quality significantly requires service organizations to identify the specific cause of each gap and then developing strategies to close them.

Hence the study focus on how service quality effect customer satisfaction, led to relate with the theory because the theory focus on measuring service quality and hence SERVQUAL model is going to measure service quality provided by NMB Temeke branch in Tanzania by looking on the service perceived and the service expected by its customer.

### **2.3.1.1 Quality of the Bank Services**

Service quality is a focused evaluation that reflects the customer's perception of specific dimensions of service: reliability, responsiveness, assurance, empathy,

tangibles, satisfaction, on other hand, is more inclusive: it is influenced by perceptions of service quality, product quality, and price as well as situational factors and personal factors, (Zeithaml and Bitner, 2003). Service is assumed to be quality when it consistently conforms to customer expectation, (Asubonteng, *et al.*, 1996), while (Parasuraman, *et al.*, 1985) argue that the service quality is the measure of service delivered as against expected service performance.

Distinctive features of the service company result in the greater emphasis being placed on the service quality. For service oriented firms the quality of service is a crucial issue for the survival of the firms like banking firms need to stress more on the service quality to gain differential advantages (Munusamy, *et al.*, 2010). Thus service quality can intend to be the way in which customers are served in an organization which could be high or low Customers judge quality as “low” if performance (perception) does not meet up their expectation and quality as “ high” when performance exceeds expectations according to (Oliver, 1980).

They advised the management to give customers a realistic picture of service; Place a premium on the organization service reliability; example Communicate effectively with customers; keeping promises Ensure that experienced employees excel during service delivery and ensure a good recovery system that can turn angry frustrated customers into loyal ones (Zeithamal *et al.*, 2003).

Service quality, service charges, perceived value and customer satisfaction are the key sources of success in any service factory such as banks, (Olorunniwo and Hsu, 2006). In the changing banking scenario of 21st century, the banks had to have a vital

identity to provide excellent services. Research has indicated that service quality has been increasingly recognized as a critical factor in the success of any business and the banking industry in this case is not exceptional, (Hossain and Leo, 2009). Service quality has been widely used to evaluate the performance of banking services, banks nowadays have to be of world-class standard, committed to excellence in customers' satisfaction, and to play a major role in the growing and diversifying financial sector (Cowling and Newman, 1995).

There has been a remarkable change in the way of banking in the last few years. Customers have also accurately demanded globally quality services from banks. With various choices available, customers are not willing to put up with anything less than the best. Banks have recognized the need to meet customer aspirations. Consequently service quality is a critical motivating force to drive the bank up in the high technology ladder (Hart, *et al.*, 1990).

Issues that affect service quality and customer satisfaction have operational and marketing orientations. To understand the dimensions of service quality and for measurement of customer satisfaction it is important to know under which typology commercial banks belong. In this regard, the classification given by Schmenner divided services into four quadrants based on labor intensity and customer interaction. Labor intensity is the ratio of labor cost to the machinery and equipment value. On the other hand, customer interaction is defined as, the joint measure of customer contact and customization of services. Thus, for having intensive analysis, these dimensions have been considered under this study (Schmenner, 1986).

### **2.3.1.2 Customer Satisfaction**

It is obvious that customers are important stakeholders in organizations and their satisfaction is a priority to management, Customer satisfaction has been a subject of great interest to organizations and researchers, (Jennet, 2011). There is general agreement that, satisfaction is a person's feelings of pleasure or disappointment resulting from comparing a product's performance in relation to its expectations (Philip, 2003).

Customer satisfaction is actually a term most widely used in the business and commerce industry. It is a business term explaining about a measurement of the kind of products and services provided by a company to meet its customer's expectation. To some, this may be seen as the company's Key Performance Indicator (KPI).

Customer satisfaction is defined by one author as "the consumer's response to the evaluation of the perceived discrepancy between prior expectations and the actual performance of the product or service as perceived after its consumption" (Tse and Wilton, 1988). In a competitive marketplace where businesses compete for customers, customer satisfaction is seen as a key differentiator and increasingly has become a key element of business strategy, It is well established that satisfied customers are key to long-term business success (Kristensen *et al.*, 1992; Zeithaml *et al.*, 2006; McColl-Kennedy and Schneider, 2000). It is also defined as a global issue that affects all organizations, regardless of its size, whether profit or non-profit, local or multi-national. Companies that have a more satisfied customer base also experience higher economic returns (Aaker and Jacobson, 1994).

There are two general conceptualizations of satisfaction here, namely, the transaction-specific satisfaction and the cumulative satisfaction, (Boulding and Zeithaml, 1993; Jones and Such, 2000; Yi and La, 2004). Transaction-specific satisfaction is the customer's very own evaluation of his or her experience and reaction towards a particular service encounter, (Cronin and Taylor, 1992; Boshoff and Gray, 2004). This reaction is expressed by the customer who experiences a product or service for the first time. However, in general customers assess their level of satisfaction after the consumption of a product or a service.

Measuring customer satisfaction could be very difficult at times because it is an attempt to measure human feelings. It was for this reason that some existing researcher presented that "the simplest way to know how customers feel, and what they want is to ask them" this applied to the informal measures (Boulding and Zeithaml, 1993). There are three ways of measuring customer satisfaction: A survey where customer feedback can be transformed into measurable quantitative data: Focus group or informal where discussions orchestrated by a trained moderator reveal what customers think. Informal measures like reading blogs, talking directly to customers (Piet, 2009). Asking each and every customer is advantageous in as much as the company will know everyone's feelings, and disadvantageous because the company will have to collect this information from each customer (NBRI, 2009).

### **2.3.1.3 Service Quality and Customer Satisfaction**

Satisfaction is the purchase evaluation of products or services taking into consideration of the customer expectations, (Kotler and Armstrong, 1996). Service

quality leads to customer satisfaction, to achieve a high level of customer satisfaction, should be delivered by the service provider as service quality is normally considered an antecedent of customer satisfaction, (Lee, *et al.*, 2000; Sulieman, 2011, and Buttle, 1996). As service quality improves, the probability of customer satisfaction increases. Quality was only one of many dimensions on which satisfaction was based; satisfaction was also one potential influence on future quality together with its implications on customer satisfaction and loyalty.

#### **2.3.1.4 Customer Satisfaction Models**

##### **2.3.1.4.1 Disconfirmation Model**

Through disconfirmation model propounded as it's illustrated by (Oliver, 1980), the customer satisfaction model explains that when the customers compare their perceptions of actual products with the expectations, then the feelings of satisfaction have arisen. Any different between the expectations and the performance create the disconfirmation. He identified three (3) types of disconfirmation. And they are: a) *Positive disconfirmation*, this occurs when product or service performance exceeds performance. In this case, the customers are highly satisfied. b) *Negative disconfirmation*, this on the other hand occurs when products or service performance is less than expectations. In this case, the customers are highly dissatisfied. c) *Zero disconfirmation*, it occurs when product or service performance is equal to expectations. In this case, customers are neither well satisfied nor less satisfied. They feel 'ok' by the turn of events. Generally, disconfirmation theory argues that 'satisfaction is related to the size and direction of the disconfirmation experience that occurs as a result of comparing service performance against expectations', the

disconfirmation paradigm is the best predictor of customer satisfaction (Szymanski and Henard, 2001).

#### **2.3.1.4.2 Satisfiers, Dissatisfies and Delighters/Exciters Model**

This sub section explains satisfiers, dissatisfies and delighters or Exciters Model as propounded by (Noriaki, 1984), The Kano model is a theory of product development and customer satisfaction that classifies customer preferences. The model offers some insight into the product attributes which are perceived to be important to customers. It focuses on differentiating product features, as opposed to focusing initially on customer needs. 1) *Satisfiers*, these are characteristics which customers say they want in the product, and their presence lead to satisfaction. 2) *Dissatisfaction*, it is the expected characteristics in a product whose presence leads to customer dissatisfaction. They have the property that they would not be frequently mentioned by customers when asked about what they are looking for in a product, because they are assumed to be present. 3) *Delighters or Exciters*, here, innovation or new product is undisputedly the catalyst in delivering these attributes to customers.

According to Kano, delighters are the most powerful and have the potential to lead to the highest gross profit margins. Excitement attributes are for the most part unforeseen by the client but may yield paramount satisfaction. The beauty behind an excitement attribute is to spur a potential consumers' imagination, these attributes are used to help the customer discover needs that they have never thought about before. Having concurrent excitement attributes within a product can provide a significant competitive advantage over a rival. In a diverse product assortment, the excitement



attributes trigger impulsive wants and needs in the mind of the customer. The more the customer thinks about these amazing new ideas, the more they want it.

## **2.4 Empirical Review**

The study done by (Qadeer, 2013), Findings reveal that quality of service does effect the customer satisfaction, both concepts are distinct and the relationship found between them is casual. Also the quality of service has significant contribution towards customer satisfaction because it is affected by various factors such as physical environment, human interaction, price, value, performance etc. To improve performance system companies should focus on introducing employee oriented policies by establishing a service culture followed by a strong strategy in place and by removing gaps between management – employees and its customers. It is found that through proper planning and constant monitoring firms can develop effective strategies to improve quality levels and to retain their existing future customers.

While the study done by (Sackey, *et al.*, 2012) the study revealed that Barclays bank in Ghana implements all the five service quality dimensions which are Empathy, Assurance, Reliability, Tangibility, Responsiveness, to customer satisfaction, means that the bank strives to be at its best when it comes to quality. This quality service becomes a major critical cause of satisfaction for the banks customers.

However on Empathy level, staffs do not give customers their utmost attention and also make decisions without considering the impact, those decisions might have on their customers. The study also showed that when it comes to responsiveness,

customer complaints and requests are not authorized and resolved on time enough by the staff and managers of Barclays bank.

Another study were done by (Saghier and Demyana 2013), at banks in Egypt the findings of the study revealed that customer satisfaction in the Egyptian banking services is significantly affected by Reliability, Assurance, Responsiveness and Empathy. While the effect of Tangibility does not have any impact on customer satisfaction.

Also, (Ojo, 2010) investigated the relationship between service quality and customer satisfaction in the Tele communication industry on Mobile Telecommunication Network (MTN) Nigeria. The study revealed a positive relationship between service quality and customer satisfaction. The researcher recommended that organizations should focus more attention on service quality, because of its effects on customer satisfaction. To ensure that customer satisfaction level is high organization must first of all know the expectations of the customers and how they can meet those expectations. Customer satisfaction helps in customer retention and loyalty.

A study done by (Mesay, 2012), The study reveal that both SERVQUAL Model which are reliability, assurance; tangibility, responsiveness and assurance were used to measure the quality of service offered by the private banks. The results of the regression test showed that offering quality service have positive impact on customer satisfaction. The research show that empathy and responsiveness plays the most significant role in customer satisfaction level followed by assurance and tangibility

finally the bank reliability. The research findings also indicate offering high quality service increase customer satisfaction, which in turn leads to high level of customer commitment and loyal.

Kinyanzui, (2011), The study examine the “quality of service delivery and customer satisfaction, in the banking sector in Uganda with the case study of Stanbic bank Makerere Branch It was also found that most of the customers held current account with bank, they also agreed that service delivery from the bank is good, with the staff being concerned , proper information provision, coupled with prompt services due to high qualified skilled staff personnel, It was also found out that service delivery is due to the bank being clean and a comfortable environment, which leads to quality and standard services which meet the expectations of customers, there was also easy access to bank services leading to customer satisfaction. Findings identified that there is a significant relationship between, the service provided by Stanbic bank and customer satisfaction level of the customer of the bank.

The study revealed that the reliability of the service provided has positive effect on customer satisfaction. It's recommended that banks should make sure that customers are provided with service in time, in a professional and competent manner so as to meet customer's expectations. Banks can achieve this by ensuring that adequately trained staffs are available to serve customers.

A study done by (Rahim, 2010) In the impact of service quality on customer satisfaction; A study of Banks in Penang Malaysia, studies need to focus on the changing role of the banking system and its dynamic financial market. The findings

show that improvement in service quality can lead customer satisfaction. The service quality dimensions that play important role in this equation are empathy, assurance and reliability. The findings show that all respondents evaluate the bank positively, but still there are rooms for improvements.

A study done by (Mohanmad, *et al.*, 2011), on Service quality perspectives and customer satisfaction in commercial banks in Jordan. The aim of this research was to examine the level of service quality as perceived by customers of commercial bank working in Jordan and its effect on customer satisfaction. The results of this study prove that service quality is an important antecedent of customer satisfaction. Managers and decision makers in Jordanian commercial banks seek and improve the elements of service quality that make the most important contributions on customer satisfaction.

The study done by (Amudha, *et al.*, 2012) on customer satisfaction toward quality of service of an Indian private sector bank using factor analysis. The employees in the services sector have to prove that their services are customer-focused and that continue. The analysis has been made using factor analysis and the result proves that the customers agree that the bank's standard is nearing the industry standard. They opined that their loyalty towards the bank has increased and the bank also deserves it because of its level of commitment towards customers.

Niveen, *et al.*, (2015) on a study of 'Exploring the effect of service quality on customers satisfaction in banking sector in jordan'. Results shows that service quality and its dimensions have significant and positive relationship with customer

satisfaction. The study will be of assistance to the management of banks because of the provision of better insights, thus enabling them to improve the levels of customer satisfaction. Furthermore, Managers should know what customers needs and how they become satisfied. Firms should know the importance of service quality to customers.

#### 2.4.1 Summary of Empirical Review

**Table 2.1: Summary of Empirical Review**

<b>Names</b>	<b>Years</b>	<b>Findings</b>	<b>Analytical Methods</b>
Qadeer	2013	Findings reveal that quality of service does effect on the customer satisfaction up to some certain level as both concepts are distinct and the relationship found between also the quality of service has signinificant contribution toward customer satisfaction.	Content Analysis
Rahim	2010	Findings reveal that improvement in service quality can enhance customer Satisfaction. The service quality dimension play a significant role are reliability, empathy and assurance.	Content Analysis
Kinyanzui	2011	Findinds reveal that service delivery is due to the bank being clean and a confortable environment, which lead to quality and stanndard services which meet the expectations of customers, there is also easy access to bank services leading to customer satisfaction.	Regression and Correlation Analysis
Mesay	2012	Findings reveal that empathy and responsiveness Play the most important role in customer satisfaction followed by tangibility, assurance and reliability. Also indicate that offering high quality service increase customer satisfaction.	Regression Analy sis

Source: Field data June 2015

A study done by (Al Karim and Chowdhury, 2014) in Service quality on customer satisfaction, in private commercial Banking sector in Bangladesh. This study endeavors to discover the impact of service quality on customer satisfaction in private sector banks in Bangladesh. Findings of the study showed that reliability, assurance, empathy, tangibility, and responsiveness significantly and positively influenced customer attitudes in terms of satisfaction that is service quality dimensions are significant for customer satisfaction in private commercial banking sector in Bangladesh.

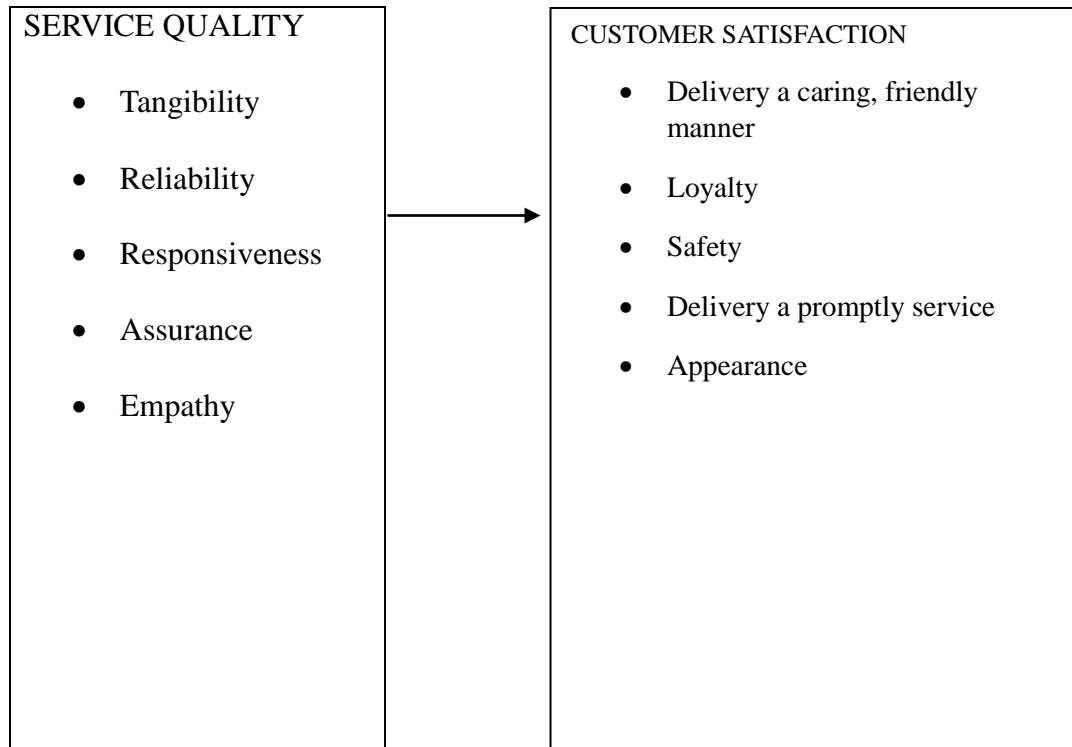
## **2.5 Research Gap**

Parasuraman *et al.*, (1985) developed the SERVQUAL instrument and laid down a conceptual framework for the measurement of service quality. The SERVQUAL instrument has become the most dominant instrument for measuring service quality and it originally comprises 10 dimensions with 97 items but later reduced to 5 dimensions with 22 items in 1991. The five dimensions are tangibles, reliability, responsiveness, assurance and empathy.

Quantitative research methodology was used in that study to gather information from customers and employees perspectives in order to fill the gap between customer expectation and perception over the service they get from NMB Temeke branch. However this research had been done by using cross-sectional research design for coming out with interesting results which assess customer's perspective regarding the effect of service quality on customer satisfaction. And the study was striving to fill the gap by research on the effect of service quality on customer satisfaction in

banking industry by using quantitative research methodology at NMB Bank Temeke branch in Dar es Salaam, Tanzania.

## 2.6 Conceptual Framework



**Figure 2.1: Conceptual Framework**

Source: Field data; June 2015

## CHAPTER THREE

### METHODOLOGY

#### 3.1 Overview

This chapter includes Research philosophy, design of the research, Survey population of the study, sampling design and sample size, validity and reliability, methods used for data collection and data processing and analysis.

#### 3.2 Research Philosophy

*Positivism:* the choice of the philosophy view is positivism, which is the view that we can get knowledge about reality by following a scientific method of testing hypotheses (Saunders *et al.*, 2009). The reason for choosing this philosophy was because from the past experience and past literatures, show that service quality has something to do with customer satisfaction. It was evident that can only be proved what exists by testing hypothesis of the study. That is, there is effect of service quality on customer satisfaction, by testing hypotheses derived from existing theories.

#### 3.3 Research Design

Research design is the plan showing the approach and strategy of investigation aimed at obtaining relevant data which fulfills the research objectives and answer questions (Kothari, 2004). It is the over-all operational pattern or framework of the project that stipulates information to be collected from source and procedures. The study use cross section research design, Cross sectional research design is conducted where subjects are assessed at a single time in their lives, (Babbie, 1990). The study use



cross section research because employees and customers of NMB both of them where assessed at a single time to NMB Temeke branch.

### **3.4 Survey Population of the Study**

It is a set of people or items under consideration in a study. Study dealt with customers and employees of NMB Temeke Branch. NMB was selected because it is the largest bank in Tanzania both when ranked by customer base and branch network, with more than 2 million customers, over 2,800 staff and 139 branches located in more than 80% of Tanzania districts (BOT Annual Report, 2013). NMB Temeke branch is selected due to the result of simple randomly sampling where by five NMB branches were written on pages and put in a bowl and researcher pick one page and thus how NMB Temeke branch was found.

Temeke municipality is located in Dare salaam whereby it is among three municipal in Dar es salaam, Tanzania. With Kinondoni to the far north of the city, and Ilala in the downtown of Dar es Salaam .To the East is the Indian Ocean and to the south and west is the coast region of Tanzania.

### **3.5 Sampling design and sample size**

#### **3.5.1 Sample size**

Sample is a subset of a population used to represent the entire group of a whole population, (Bartlett, 2001). Sample size was 148 where by 100 customers and 48 employees of NMB Temeke branch. A sample size of 148 is selected because of short time to conduct the study and also since the customers are the once who get service

delivery by the bank thus why their many as 100 compare to employee who are 48 since are the ones who delivery the service to the customer. It is true that customer perspectives are right ones in measuring service they get. The sample size distribution was as summarized in Table 3.3.

**Table 3.1: Respondent Selected in the Study**

<b>Target population</b>	<b>Number of Respondents</b>	<b>Percent (%)</b>
Customers	100	68
Employees	48	32
<b>Total</b>	<b>148</b>	<b>100</b>

Source: from field data June 2015

### **3.5.2 Sampling Design**

The study use probability and non probability sampling, the researcher adopt two technique of sampling which are first, purposive sampling technique as a non-probability sampling was used as the technique for the research to identify the type and name of the financial institution, purposive was used because the researcher choose some respondent due to their position such as Branch manager, Assistant branch manager and Bank Teller's of NMB Temeke branch.

Secondly, Simple randomly sampling method was used to select the NMB Temeke branch among five NMB branches of Dar es salaam which are NMB Magomeni branch, NMB Mlimani city branch, NMB Posta branch, NMB Mwenge branch these branches are among those NMB branches in Dar es salaam which have many customers who claimed over the poor service quality they get. That method was selected to enable the researcher to get quality information from respondents who

have knowledge about the issue researched and their ready to provide the information needed for the study.

### **3.6 Validity and Reliability**

In my study validity and reliability were tested, the test for reliability was done by using SERVQUAL model to measure service quality and provide the same result to most responds from respondents, and hence the instrument which is SERVQUAL model is a highly reliable measuring instrument for measuring service quality in banking industry. Validity in this study was tested through gap model due to the fact that what hopeful to be measured was exactly measured by the SERVQUAL model and hence it prove that SERVQUAL model is the best instrument for measuring service quality.

### **3.7 Data Types and Collection Methods**

The study used both primary and secondary data. The following instruments had been applied in collecting data and information for the study:

#### **3.7.1 Questionnaires**

Questionnaires designed to collect the primary data and information from bank staff and customers. This method is widely used in market research because of its convenient to respondent in giving agreement or disagreement with each series of statement that are related to the phenomenon in question (Rao, 1985).

#### **3.7.4 Documentation**

The documentary sources was examined the company past records and reading materials of other researchers.

### **3.8 Data Processing and Analysis**

Data analysis refers to the computation of certain measures along with searching for patterns of relationship that exist among data groups, (Kothari, 2004). Thus the process of analysis aims at determining whether the results support the hypotheses. Data collected were carefully checked for correctness, summarized and coded by using Microsoft excel software and the findings were presented in form of tables, bar graph, statements, and percentage.

## CHAPTER FOUR

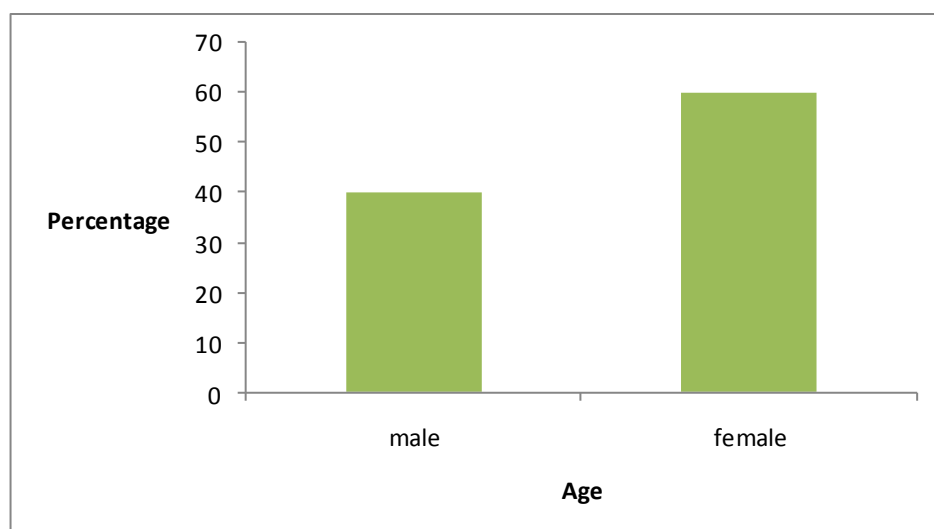
### RESULTS AND DISCUSSIONS

#### 4.1 Overview

This chapter discusses the empirical result of the effect of services quality on customer satisfaction in banking industry. It also analyses data from which were obtained from field. The data obtained were analyzed into bar graph and tables by using Microsoft excel. The data were collected from National microfinance bank (NMB) Temeke branch

#### 4.2 Basic Profile of Respondents

The result in the figure one below show that both gender participated effectively where 60% of the respondent were female representing 89 of the respondent and 40% were male representing 59 of the respondent. Participation of both sexes ensures validation of data obtain, it also prevent the possibility of obtaining results which are based on a single gender.

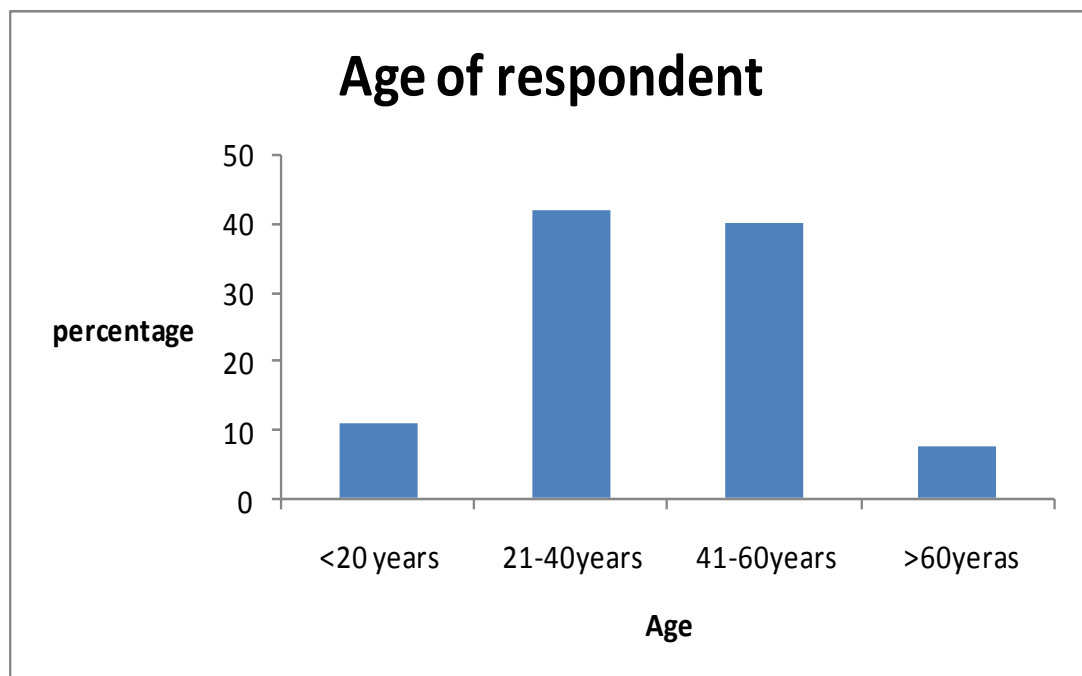


**Figure 4.1: Gender of Respondent**

Source: Field data, June 2015

The highest number of the respondent were of age group between 21 – 40years which composed 62 of the respondent which compose 41.9% of the respondent while the age group between 41 – 60years which composed 59 respondent equivalent to 39.9% of the total respondent where the age group below 20years compose 6 respondent which is equal to 10.8% of the respondent, the remaining 7.4% of the respondent composed of age group above 60years which were 11 respondent.

The majority of the respondent were of age group between 21years and 40years which composed 41-9% of the respondent which are 62 respondent indicating that majority of the respondent were youth. Information were collected from respondent of different age group to ensure validity of the information i.e. information based on one group may provide invalid answer as shown in Figure 4.2.



**Figure 4.2: Age of Respondent**

Source: Field data, June 2015

### 4.3 Discussion on Findings

#### 4.3.1 To Identify Components Of Service Quality at NMB Temeke Branch

##### 4.3.1.1.1 Tangibility

Tangibles are used by firms to convey image and signal quality (Zeithaml, *et al.*, 2006). Tangibility includes physical facilities, materials associated to provide service such as credit and debt sheets, decorations, nice looking of the building, and chairs for customers to sit while waiting for the service.

**Table 4.1: Mean and Gap Score of Customer Expectation and Perception of Tangibility at NMB Temeke Branch**

<b>Tangibility</b>	<b>Expectation</b>	<b>Perception</b>	<b>Gap</b>
NMB's ATM machines are well-functions	3.473	2.264	1.209
Customers at my bank get a place Comfortable to sit	3.291	2.095	1.196
My bank has modern work equipment like Computers	4.088	2.385	1.703
My bank has decorations in the Buildings	3.953	2.047	1.946
<b>Mean</b>	<b>3.701</b>	<b>2.228</b>	<b>1.473</b>

Source: Field data June 2015

The study found that customer expectation mean is 3.701 while customer perception mean is 2.228. And the gap from what customer expects and what they perceive is (1.473) and hence NMB Temeke branch fails to meets satisfaction level needed by its customers. Discussion on findings over Tangibility shows that tangibility is important in improving satisfaction to customers, this result supported by (Al Karim and chowdhury., 2014), on their study on service quality on customer satisfaction in private commercial banking sector in Bangladesh through correlation and regression

analysis they found that Tangibility has strong significant on customer satisfaction. But the result differ with the study done by (Mesay 2012), through his study in the effect of service quality on customer customer satisfaction, the study reveal that tangibility is not important in increasing customer satisfaction when it compares with other service dimension.

#### 4.3.1.1.2 Reliability

Reliability is the ability to perform the promised service dependably, accurately and consistently (Hinson, 2006). Even though NMB provide loans to small business people and so on. But it fails to meet its reliabilities.

**Table 4.2: Mean and Gap Score of Customer Expectation and Perception of Reliability at NMB Temeke Branch**

<b>Reliability</b>	<b>Expectation</b>	<b>Perception</b>	<b>Gap</b>
When my bank promises to do Something by a certain time, it does so.	3.736	1.703	2033
NMB hires employees who are qualified to do their job.	3.905	2.095	1.81
When I have problem, my bank Shows sincere interest in solving it	3615	2.385	1.23
My bank deliver error true records	3.993	2.007	1.704
<b>Mean</b>	<b>3.812</b>	<b>2.108</b>	<b>1.704</b>

Source: Field data June 2015

Study find out customer expectation mean is 3.812 while customer perception mean is 2.108. And the difference between customer's expectation and customer perception is (1.704) and hence NMB Temeke branch fails to meets satisfaction level needed by its customers. So NMB has to make sure they fulfill the promises they



made to their customers, hire qualified employees, to improve their reliabilities in order to increase customer satisfaction.

Discussion on findings over Reliabilities is that NMB Temeke branch has to improve its reliabilities in order to improve customer satisfaction. This result similar to the result of the study done by (Saghier and Damyana, 2013), on their study on service quality dimension and customer satisfactions of banks in Egypt, they found that among all service dimensions reliability is also important in improving customer satisfaction.

But the results differ with the study done by (Qadeer 2013), where she found that apart from service dimension in improving service quality also the introduction of employee orientation policy through service are important in improving customer satisfaction.

#### **4.3.1.1.3 Responsiveness**

Responsiveness concerns the willingness or readiness of employees to provide service (Parasuraman *et al.*, 1985). Responsiveness concern with complains, request and questions from customers.

The study find out customer expectation mean is 4.078 while customer perception is 2.11. And the difference between the respond customer expect to get and the respond they get, differ with (1.97) and hence NMB Temeke branch fails to meets satisfaction level needed by its customers.

**Table 4.3: Mean and Gap Score of Customer Expectation And Perception of Responsiveness at NMB Temeke Branch**

<b>Responsibilities</b>	<b>Expectation</b>	<b>Perception</b>	<b>Gap</b>
Employee in my bank gives Prompt service	4.297	1.703	2.594
Employees in my bank are Always willing to help me.	4.081	1.919	2.162
Employees in my bank will Tell me exactly when the Service will be performed.	3.723	2.277	1.446
Comments received through The suggestion boxes are Acted upon promptly.	4.209	2.534	1.675
<b>Mean</b>	<b>4.078</b>	<b>2.11</b>	<b>1.97</b>

Source: Researcher 2015

Discussion from the findings, the finding is similar to the study done by (Sackey, *et al.*, 2012) in effect of service quality on customer satisfaction, loyalty and retention in Barclays bank in Ghana. Their finding show that Responsiveness is important in improving satisfaction of the customers, but the finding differ with the study done by Qadeer, (2013) where she found that to increase the customer satisfaction the firm should remove gap between management and employees and its customer.

#### **4.3.1.1.4 Assurance**

Assurance includes knowledge, competence of employees, courtesy, credibility, security, trust and confidence of employees.

**Table 4.4: Mean and Gap Score of Customer Expectation and Perception of Assurance at NMB Temeke Branch**

<b>Assurance</b>	<b>Expectation</b>	<b>Perception</b>	<b>Gap</b>
The behavior of employees In my bank will instill Confidence to me.	3.845	2.155	1.69
I feel safe in my transaction With my bank.	3.824	2.176	1.648
Employees in my bank have The knowledge to answer my Questions.	3.811	2.189	1.622
Employees in my bank can be Trusted.	4.027	1.973	2.054
<b>Mean</b>	<b>3.877</b>	<b>2.123</b>	<b>1.754</b>

Source: Researcher 2015

The study finds out customer expectation mean is 3.877. While customer perception mean is 2.123. And the difference between assurance the customers expect to get and what they perceive is (1.754), and hence NMB Temeke branch fails to meet satisfaction level needed by its customers. Discussion of the finding, the findings of the study relate with the study done by Saghier and Damyana, (2013), where they found that Assurance is important in improving customer satisfaction. So NMB Temeke branch should increase assurance to its customer in order to meet the satisfaction level of its customers. But the finding differ with the study done by Qadeer, (2013), the study found that in order to satisfy customer needs the firm should removing gap between employees and customer.

#### 4.3.1.1.5 Empathy

Empathy is to deliver service with care. Empathy includes good communication, easy access and customer understanding.

**Table 4.5: Mean and Gap Score of Customer Expectation and Perception of Empathy at NMB Temeke Branch**

<b>Empathy</b>	<b>Expectation</b>	<b>Perception</b>	<b>Gap</b>
The employees of my Bank understands my Specific needs.	4.034	1.966	2.068
My bank has operating Hours convenient to All its customers.	4.284	1.716	2.568
My bank give me Individual attention	3.736	2.264	1.472
Employees of my bank Provide service to cust within a partical time	4.230	1.892	2.338
<b>Mean</b>	<b>4.071</b>	<b>1.956</b>	<b>2.113</b>

Source: Researcher 2015

The study find out empathy has highest gap compare to other indicators (2.113) whereby customer expectation mean is 4.071 and customer's perception mean is 1.956. It seems the NMB Temeke branch do not see the important of empathy in satisfy its customers, and hence NMB Temeke branch fails to meets satisfaction level needed by its customers.

Discussion from finding, this finding relate with the study done by (Mesay, 2012), in Ethiopia aim of the study was to look the effect of service quality on customer satisfaction. The finding proves that empathy plays the most important role in customer satisfaction level followed by tangibility, assurance, and finally the bank reliability. The research findings also indicate offering high quality service increase customer satisfaction, which in turn leads to high level of customer commitment and loyalty.

But the results differ with the study done by (Qadeer, 2013) where she found that apart from service dimension in improving service quality also the introduction of employee orientation policy through service are important in improving customer satisfaction.

#### **4.3.2 To Identify the Components of Customer Satisfaction NMB Temeke**

##### **Branch in Tanzania**

The components of customer satisfaction have been categorized into five groups which are Delivery a caring friend manner, Loyalty, Safety, Promptly service, and Appearance. Starting with;

##### **4.3.2.1 Delivery a Caring Friend Manner**

Delivery a caring friendly manner includes the way employees communicate with the customers, and how they try to solve customers' problem.

The finding found that employees of NMB Temeke branch deliver a caring friendly manner to its customers for 5% only while 50% of the respondent disagrees by

arguing that they do not get a caring friendly manner. This relate with the empathy as one dimension of service quality, since service quality have effect on customer satisfaction thus NMB Temeke branch provide poor service quality and lead for customer dissatisfaction due to what respondents respond.

**Table 4.6: Responds of Customers Over the Delivery of a Caring Friend Manner at NMB Temeke Branch**

<b>Delivery a caring friend manner</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
When I have a problem my bank shows sincere, caring in solving my problem	0%	5%	2%	43%	50%

Source: Researcher 2015

Note: 1 = *strongly agree* 2 = *agree* 3 = *neither agree nor disagree* 4 = *disagree* 5 = *strongly disagree*

Discussion of the study to deliver a caring friend manner is within empathy which is among five dimension of service quality; this finding is similar with the study done by Messay, (2012), where he found that delivery a caring friend manner is very important in improving customer satisfaction. But the result differ with the study done by Mohammed, (2011), where he found that both components of customer satisfaction are important in improving customer satisfaction in which both of them are within or relate with five dimension of service quality.

#### **4.3.2.2 Loyalty**

Loyalty means being trustful, the way customers can put their trust on employees of NMB Temeke branch. The finding found that 33% of the respondent trusts their bank but 67% can't trust their bank. Loyalty relate with empathy since loyalty is within empathy. And also this finding relate with the result of empathy of NMB Temeke

branch which has the highest gap as shown from compare to other service dimension.

And hence poor service delivery by NMB Temeke leads for customer dissatisfaction.

**Table 4.7: Responds of Customers Over Loyalty at NMB Temeke Branch**

Loyalty	1	2	3	4	5
I can trust employees of my bank due to their behavior.	21%	12%	0%	5%	62%

Source: Researcher 2015

Note: 1 = strongly agree 2 = agree 3 = neither agree nor disagree 4 = disagree 5 = strongly disagree

Discussion of the study to deliver a caring friend manner is within empathy which is among five dimension of service quality; this finding is similar with the study done by Messay, (2012), where he found that delivery a caring friend manner is very important in improving customer satisfaction. But the result differ with the study done by Mohammed, (2011), where he found that both components of customer satisfaction are important in improving customer satisfaction in which both of them are within or relate with five dimension of service quality.

#### 4.3.2.3 Safety

Safety means how customers feel secured to their bank once their doing their transaction at NMB Temeke branch.

**Table 4.8: Responds of Customers Over Safety at NMB Temeke Branch**

Safety	1	2	3	4	5
I feel safe in my transaction with my bank	0%	15%	0%	25%	60%

Source: Researcher 2015

Note: 1 = strongly agree 2 = agree 3 = neither agree nor disagree 4 = disagree 5 = strongly disagree

The study finding that 15% are feel secured by their bank once their doing their transaction while 85% feel not secured, if the trust shake obvious the safety will shake too. This also relate with the one dimension of service dimensions which is Assurance. Assurance delivery poor and affect the safety of the customers and hence poor service quality lead for customer dissatisfaction.

Discussion of the study, Safety is within Assurance which is among five service quality. The findings of the study are similar with the study done by Saghier and Damyana, (2013), where they found that Assurance in which (safety) is important in improving customer satisfaction. So NMB Temeke branch should increase assurance to its customer in order to meet the satisfaction level of its customers. But the finding differ with the study done by Qadeer, (2013), the study found that in order to satisfy customer needs the firm should removing gap between employees and customer.

#### 4.3.2.4 Promptly service

Promptly service means to deliver service on time; if NBM Temeke deliver service on time to its customers.

**Table 4.9: Responds of Customers Over Promptly Service at NMB Temeke**  
**Branch**

<b>Promptly Service</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Employees in my bank give promptly service	10%	18%	4%	12%	56%

Source: Researcher 2015

Note: 1 = *strongly agree*    2 = *agree*    3 = *neither agree nor disagree*    4 = *disagree*    5 = *strongly disagree*



Promptly service relate with responsiveness as among dimension of service dimension. The study finding found that 28% agree to get service on time, while 68% argued that they do not get service on time once the NMB Temeke branch do not do well in responsiveness automatic it affect this factor of customer satisfaction. And hence poor responsiveness leads for service not to be delivered on time (poor service lead customer dissatisfaction).

Discussion from the findings, the finding is similar to the study done by (Sackey, *et al.*, 2012) in effect of service quality on customer satisfaction, loyalty and retention in Barclays bank in Ghana. Their finding show that Responsiveness in which within it there is Promptly service is important in improving satisfaction of the customers, but the finding differ with the study done by Qadeer, (2013), where she found that to increase the customer satisfaction the firm should remove gap between management and employees and its customer.

#### 4.3.2.5 Appearance

Appearance means the way something or someone look, as in banking industry is the way the building of the bank look, and its accessories like computers, chairs, Staff, etc at NMB Temeke branch.

**Table 4.10: Responds of Customers Over Appearance at NMB Temeke Branch**

Appearance	1	2	3	4	5
My bank has modern looking equipment	0%	15%	0%	20%	65%

Source: Researcher 2015

Note: 1 = strongly agree    2 = agree    3 = neither agree nor disagree    4 = disagree    5 = strongly disagree

The findings found that 15% agree that the NMB Temeke branch has good appearance while 85% argued that the bank does not have good appearance. This relate with tangibility, which include physical appearance at least it does well in service quality but it does well for having many physical entities such as buildings, ATM's etc but both of them do not have good looking (appearance). Hence poor service lead for customer dissatisfaction. From above are factors of customer satisfaction which affected by poor service quality of NMB Temeke branch and lead for its customers to be dissatisfied.

Discussion on findings over Appearance which is within Tangibility shows that Appearance is important in improving satisfaction to customers, this finding supported by (Al Karim and chowdury, 2014), on their study on service quality on customer satisfaction in private commercial banking sector in Bangladesh through correlation and regression analysis they found that: Appearance which is within tangibility has strong significant on customer satisfaction. But the result differ with the study done by (Mesay, 2012), through his study in the effect of service quality on customer customer satisfaction, the study reveal that tangibility (Appearance) is not important in increasing customer satisfaction when it compares with other service dimension.

#### **4.3.3 To Assess the Perception of Customers on Service Quality at NMB**

##### **Temeke Branch**

The components of the perception of customers on service quality have been categorized into five groups which are Tangibility, Reliability, Responsiveness, Assurance and Empathy, starting with:

#### 4.3.3.1 Tangibility

Customers of NMB Temeke branch measure the tangibility provided by NMB Temeke branch as shown in Table 4.11. The question was is your bank physical facilities and ornaments are satisfactory?

**Table 4.11: Measure of NMB's Tangibility Temeke Branch**

<b>Response</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Very good	19	13
Good	32	21
Fair	47	32
Poor	50	34
Total	148	100

Source: Researcher 2015

The finding found that 13% respond as very good, 21% respond as good, while 32% respond as fair means the tangibility of the bank is equal, and 34% respond as poor, this mean that the higher percentage of the customer of NMB do not satisfied with the level of tangibility they perceived.

Discussion of the finding, the finding shows that NMB Temeke branch does not provide its tangibility effectively to satisfy its customers. The findings are similar with the study done by Sackey, et al., (2012), they found that tangibility is important in raising customer satisfaction. But the result differ with the study done by Saghier and Damyana, (2013), they found that Tangibility does not have impact on customer satisfaction.

#### 4.3.3.2 Reliability

Measures of NMB's reliability of Temeke branch which measured by the customer of the bank. The question was Does your bank hires employees who are qualified to do their job? The responds are below Table 4.12.

**Table 4.12: Measure of NMB's Reliabilites Temeke Branch**

<b>Response</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Very good	25	17
Good	30	20
Fair	40	27
Poor	53	36
Total	148	100

Source: Researcher 2015

The study found that 17% respond as very good, 20% respond as good, 27% respond as fair, and 36% respond as poor, here also the reliability of the bank not satisfy its customer much. Discussion of the study found that the reliabilities provided by NMB Temeke branch was poor and the firm need to improve in order to increase satisfaction. The findings are similar to the study done by Kinyazui, (2011), the study reveal that reliability has positive effect on customer satisfaction. But the finding differ with the study done by Qadeer, (2013) where she found that apart from service dimension in improving service quality also the introduction of employee orientation policy through service are important in improving customer satisfaction.

#### **4.3.3.3 Responsiveness**

Measurements of NMB's responsiveness of Temeke branch which measured by its customers. The question was, do employees of your bank give prompt service? Responds of the customers over the question are below Table 4.13.

**Table 4.13: Measure of NMB's Responsiveness Temeke Branch**

<b>Response</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Very good	24	16
Good	32	22
Fair	34	23
Poor	58	39
<b>Total</b>	<b>148</b>	<b>100</b>

Source: Researcher 2015

The study found that 16 % respond very good, 22% respond as good, 23% respond as fair and 39% respond as poor. Most of customers are not satisfied with the responsiveness of the bank. Discussion of the study, the finding is similar to the study done by Messay, (2012), the study found that Responsiveness plays the most important role in customer satisfaction, but the study differ with the study done by Niveen *et al.*, (2015) both of service quality dimension have to be combined in order to increase customer satisfaction.

#### **4.3.3.4 Assurance**

Measurement of NMB's assurance, where measured by its customers, the question was, Do you feel safe in your transaction with your bank?

**Table 4.14: Measure of NMB's Assurance Temeke Branch**

<b>Response</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Very good	20	14
Good	24	16
Fair	36	24
Poor	68	46
<b>Total</b>	<b>148</b>	<b>100</b>

Source: Researcher 2015

The finding found that 14% respond as very good, means their satisfied with the responsiveness of the bank. While 16% respond as good, 24% respond as fair and majority whom are 46% respond poor. Discussion from finding, the finding show that NMB Temeke branch has to improve its assurance to increase customer satisfaction, the findings are similar with the study done by Rahim, (2010), the study found that Assurance play a great role in improving customer satisfaction. But the finding differ with the study done by Kinyazui, (2011), reliability is the most important in improving customer satisfaction.

#### 4.3.3.5 Empathy

Measurement of NMB's empathy at Temeke branch. Where measured by its customers, the question was, Do your bank gives you individual attention?

**Table 4.15: Measure of NMB's Assurance Empathy Branch**

<b>Response</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Very good	18	12
Good	23	16
Fair	21	14
Poor	86	58
<b>Total</b>	<b>148</b>	<b>100</b>

Source: Researcher 2015

The study found that 12% respond as very good, 16% respond as good, 14% respond as fair and 58% respond as poor, the results show that the Bank did not see the importance of empathy dimension on its satisfaction of their customers. Discussion of the study, the study found that empathy is delivered in low level compare to other service quality dimension. The finding are similar to the study done by Mesay,

(2012), he found that Empathy is very important in improving customer satisfaction compare to other service dimension, but the finding differ with the study done by (Qadeer, 2013) where she found that apart from service dimension in improving service quality also the introduction of employee orientation policy through service are important in improving customer satisfaction, and also by removing gap between management, employees and customers.

As shown from the result service provided by NMB Temeke branch is poor which read customer dissatisfaction to its customers, due to its poor tangibility, reliability responsiveness assurance and empathy, this means that, the increase of five dimensions, the increase of satisfaction of the customers. Due these measurements NMB has the following problems which face service quality.

The first problem customers are not getting an enough place to sit while waiting to get services from the bank as more than 80% report this as a problem which affect the customer perception to the quality of bank services and in turn affect customer satisfaction. Generally, employees are playing their part including working in teams, duties and responsibility being done beyond the capacity and conducting satisfactory meetings with the management to resolve different emerging issues (Table 4).

The second problem is Queue discipline reported to be the big problem as majority of stakeholders (78%) revealed that, this problem is not well observed and handled by the NMB bank management. The third problem is that employees of NMB Temeke branch do not done their duties in perfectly (75%) report this thus due to

this problem led for another problem which is queuing. But NMB Temeke branch do not observe that as a problem, thus queuing continue every the fourth problem reported by employees is Staff seminars are not attended well by NMB's staff in order to go with changes of customer expectation (70%) reveals that staff of NMB does not participate in seminars. And the bank does not observe if this is a problem.

Fifth problem reported was NMB's ATM machines are not perform well (65%) reported that, due to frequently network problem, a part of having ATM's machines at NMB Temeke branch but most of time do not work properly. This problem also does not observed by the management of NMB Temeke branch.

The sixth problem is that Comments received through the suggestion boxes are not acted upon promptly (59%) reveal that this problem is not observed by the NMB Temeke branch this make the bank not to meet customer expectation because the management would know the complains of its customer through suggestion boxes. But the bank does not observe that.

The seventh problem is that (58%) reported that Customers of NMB Temeke branch do not get service within a particular time due to network problem and queuing. The Eighth problem is Frequent meetings are not conducted at NMB to discuss customer satisfaction (55%) reported that most of meeting are about how works goes but not if they meet customer satisfaction.

While the ninth problem Customer request is not what management expect to be provided (49%) reveal that employees are in hard time sometimes because what



customer want is not management expect to provide. The tenth problem is Complaints from customers are not well attended by the management (47%) reported that management does not attend effectively complaints from the customers.

And the last one problem is that NMB has not enough security to protect its customer and their money (42%) reported that, also this problem management do not observe if it's important to its customer satisfaction.

**Table 4.16: Problems facing service quality at NMB Temeke Branch**

<b>Perception Item</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Customers waiting for the services at NMB get a place to sit.	0%	0%	8%	12%	80%
Complaints from customers are well attended by the management	0%	16%	11%	26%	47%
Comments received through the suggestion boxes are acted upon promptly	0%	17%	20%	21%	59%
NMB has enough security to protect its customer and their money.	7%	14%	5%	30%	42%
Queue discipline at the bank is strictly observed and respected by NMB	0%	0%	3%	19%	78%
NMB's ATM machines are well function.	0%	4%	11%	20%	65%
Frequent meetings are conducted at NMB to discuss customer satisfaction	0%	15%	30%	20%	55%
Customers of NMB get service within a particular time.	0%	0%	2%	40%	58%
Employees of NMB done their jobs in perfectly	0%	0%	0%	25%	75%
Customer request is what management expect to be provided	11%	15%	6%	20%	48%
Staff seminars are attended well by NMB's staff in order to go with changes of customer expectation.	0%	0%	2%	23%	70%

Source; Research 2015

Note: 1 = strongly agree 2 = agree 3 = neither agree nor disagree 4 = disagree 5 = strongly disagree

Due to these eleventh problems which both of them talks about five dimension of service quality, which are Tangibility, Reliability, Responsiveness, Assurance and Empathy. That means to provide service quality and to meet customer satisfaction you have to work on these five dimensions in order to remove or to reduce these eleventh problems. Both five quality dimension have effect on customer satisfaction. As shown in the table below 4.16 problems which face service quality at NMB Temeke branch.

These results are similar to finding of the study done by Rahim, (2010), on his study on the impact of service quality on customer satisfaction; of Banks in Penang Malaysia which indicated that the overall study on the five dimensions, namely Assurance, Reliability, Tangibles, Empathy and Responsiveness suggests that there is a strong effect of these five independent variables on customer satisfaction by 62.1% which are component and indicator of customer satisfaction.

But this findings differ with the study done by Saghier and Demyana, (2013), in their research on service quality dimensions and customers' satisfactions of banks in Egypt also revealed that customer satisfaction in the Egyptian banking services is significantly affected by Reliability, Empathy, Assurance and Responsiveness, while the effect of the dimension of Tangibility does not have any significant impact on customer satisfaction.



## **CHAPTER FIVE**

### **CONCLUSIONS, RECOMMENDATIONS AND FUTURE RESEARCH**

#### **5.1 Overview**

This chapter provide conclusion from the study. Chapter one defined the problem under study while the second chapter reviewed the literature relevant to the problem under the study. Chapter three highlighted on the research methodology whereas chapter four discussed data analysis and results for the study. Therefore this chapter discusses the conclusions, recommendations and areas for further study.

#### **5.2 Conclusions and Recommendations**

Tangibility has a high mean score as compared to the other four service dimension (empathy, assurance, responsiveness and reliability).The study recommends improvement measure to other dimensions to ensure that customers get better service which will ensure more satisfaction. Hence more investment should be made by NMB Temeke to improve variables related to empathy, reliability, assurance and responsiveness.

As reported to various scholars, service quality and customer satisfaction is a paramount business requirement within the banking sector/industry. Since customer should be values for the better performance of the bank, this study attempts to assess the components of service quality and customer satisfaction using NMB Tameke branch in Dar es Salaam, Tanzania as the case study. On the basis of the findings of the study, SERVQUAL dimension have effect on customer satisfaction. Which are tangibility, reliability, responsiveness, assurance and empathy.

The study recommend that in order the bank to increase its performance the quality bank services should be improved by the management targeting to reduce and handling customer queue and long waiting for services. Creativity is needed for handling customer services related constraints for improving service quality hence increasing performance of the bank.

It has also been revealed that, Empathy and responsiveness have higher impact on overall customer satisfaction. The study recommends that much effort should be applied by the bank on empathy than responsiveness as it has lower mean value. Moreover, customer queue discipline, services wait places and how bank employees are handling customers queries should be taken care for customer satisfaction and service quality. Therefore, bank services quality has direct positive relationship with customer satisfaction.

Also the study made the following recommendations basing on findings NMB Temeke branch, There is a need for NMB Temeke branch to always ensure that they remain reliable to their customers if indeed they need to remain competitive in the market by introducing back up services and make sure they work effective. And also there is the need for banks to innovate new ways of enhancing the way they respond to customer needs and have systems that will build the confidence of the customers.

Customer satisfaction assessment should be done on regular basis by the banks so as to improve the situation. Since bank is a customer oriented institution, their employees should be trained occasionally and having good human resources to deal with customers.

Management of the banks should work on different customer's complaints and establish a system of collective through various means. Some of these means are suggestion boxes, effective use of information and communication technology (ICT) such collection of suggestion using e-mails, website and others. Customer satisfaction is an important factor that affects customer loyalty as well as works as that attracts customers to the organization. Periodical market research is important to see if there are any changes on customers' needs, demands, and expectations. Adopting customer oriented culture is very important to ensure high level of customer satisfaction. Adopting competitive edge is very important, in which it delivers innovating-high quality products and services, in order to meet the changing needs and demands of customers.

### **5.3 Future research**

Future research may take a sample from manufacturing industries and hotels. To assess on the components of service quality and customer satisfaction in hotels, by using SERVQUAL dimension.

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## APPENDICES

### Appendix I: For Customers and Employees of National Microfinance Bank

Dear respondent, the aim of this questionnaire is to seek views about customer satisfaction at NMB in relation to the quality of services offered by the bank. Please feel free to fill this brief questionnaire which is mainly intended for academic purposes. The information collected will be treated confidential.

#### **PART A;**

Put tick on space provided.

Sex; Male...../ female.....

Age;..1. Below 20 years... 2 .21 – 40 years... 3. 41 – 60 years... 4. Above 60 years...

#### **PART B**

How would you rate your agreement/disagreement with the following statements in relation to the satisfaction received by NMB customers from the quality of services offered by the bank? Please circle the appropriate cell using the following scale: **1 = strongly agree**   **2 = agree**   **3 = neither agree nor disagree**   **4 = disagree**   **5 = strongly disagree**

1	NMB's ATM machines are well function.	1	2	3	4	5
2	Customer at my bank get a place comfortable to sit.	1	2	3	4	5
3	My bank has Modern equipment like computers	1	2	3	4	5
4	My bank has decorarions in the buildings	1	2	3	4	5
5	When my bank promises to do something by a certain time, it does so.	1	2	3	4	5
6	My bank hires employees who are qualified to do their job	1	2	3	4	5
7	When I have problem, m bank shows sincere interest in solving it.	1	2	3	4	5
8	My bank delivery error true record.	1	2	3	4	5
9	Employees in my bank give prompt service	1	2	3	4	5
10	Employees in my bank are always willing to help me	1	2	3	4	5
11	Employees in my bank will tell me exactly when the service will be performed.	1	2	3	4	5
12	Comments received through suggestion oxes are acted upon promptly	1	2	3	4	5
13	The behavior of employees in my bank will instill confidence to me	1	2	3	4	5
14	I feel safe in my transaction with my bank	1	2	3	4	5

15	Employees in my bank have the knowledge to answer my questions.	1	2	3	4	5
16	Employees in my bank can be trusted	1	2	3	4	5
17	The employees of my bank understand my specific needs	1	2	3	4	5
18	My bank has operating hours convenient to all its customers	1	2	3	4	5
19	My bank gives me individual attention	1	2	3	4	5
20	Employees of my bank get service within a particular time	1	2	3	4	5

***THANK YOU FOR YOUR COOPERATION***



**SEHEMU YA TATU:**

Kutokana na mtazamo wako tafadhali chagua herufi moja wapo unayoona ni sahihi kwa kuzungushia duara.

A; Nzuri sana

B; Nzuri

C; Kawaida

D; Mbaya

1. Je benki yang inaajiri wafanyakazi wenye elimu ya kutosha kulingana na kazi yao?.  
A.....B.....C.....D.....
2. Je wafanyakazi katika benki yangu wapo tayari kunisaidia?.  
A.....B.....C.....D.....
3. Je nipo salama ninapofanya shughuri zangu za kibenki katika benki yangu?.  
A.....B.....C.....D.....
4. Je wafanyakkazi katika benki yangu wanaelewa mahitaji yangu? .  
A.....B.....C.....D.....
5. Je benki yangu inavifaa vya kutosha na kumridhisha mteja? .  
A.....B.....C.....D.....

**AHSANTE KWA USHIRIKIANO**